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Supreme Court of the United States

October Term, 1976

No. 76-155

ALLIED WITAN COMPANY,
Petitioner,

VS.

THE ARO CORPORATION,
Respondent.

PETITIONER'S REPLY BRIEF

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Pursuant to Rule 24(4) of this Court, petitioner replies to respondent's brief in opposition as follows:

Statement of Case

To the extent that respondent Aro's brief picks disputes with petitioner Allied Witan's "Statement of Case" (Petition, pp. 4-11) and seeks to substitute a restatement (Resp. Br. p. 3-5), brevity requisite under Rule 19(4) of this Court directs Allied Witan to respectfully submit that the full record in this case will show that it is its statement which meets the standard of accuracy (free of distortion, assertions out of context, color, and argument, all with *ad hominem* overtones), also imposed by that rule.

Respondent's Arguments

(a) Variance between result below and prior appellate decisions—federal jurisdiction.

No quibbles by Aro over statements of the case below can mask the following: The patent infringement suit below, ambulatory from a filing in Chicago¹ on February 12, 1971, to Cleveland (Northern District of Ohio, Eastern Division) for assignment to a Toledo district judge who insisted on maintaining the court's file there (Petition App. A29) was, as of the consent dismissal entered March 25, 1974, terminated, off the trial court's calendar, finished. Under Rule 60(b), F.R.C.P. (Petition App. A34), it remained so until entry of the district court's order of January 30, 1975, enjoining Allied Witan to comply with a license agreement which was one of the agreements leading to and including the stipulated dismissal of March 25, 1974. (A15)

But in point of fact and substance, since Aro's September 30, 1974, motion to vacate the March, 1974, dismissal and for an order of specific performance, the controversy below has been an action by Aro, a corporate citizen of Ohio under 28 U.S.C. 1332(a), to enforce a license agreement under a patent (of which validity and infringement has never been acknowledged) against Allied Witan, an

1. Aro's brief in opposition (Resp. Br. p. 3) asserts it is "incredible" that Allied Witan felt harassed because the Chicago complaint was served by a U. S marshal upon the wife of Allied Witan's president at their residence in suburban Cleveland, rather than at the corporate office in the city. Allied Witan has found incredible the incuriosity of the district judge below as to how, in that opening move in Aro's litigation, the venue of the Chicago court would extend to Ohio or, without prompting from Aro, the marshal would know the name, let alone the residence address, of an officer of the corporate defendant.

Ohio corporation—and nothing more, as far as Aro and the courts below have treated it.

It is submitted that Aro errs in now contending (Resp. Br. p. 6) that no variance exists between the result below and *Arvin Industries, Inc. v. Berns Air King Corporation*, 510 F.2d 1070 (7th Cir., 1974) and *Kysor Industries, Inc. v. Pet, Inc.*, 459 F.2d 1010 (6th Cir., 1972). In both *Arvin* and *Kysor* it was explicitly held that, absent diversity, Federal Courts have no jurisdiction under 28 U.S.C. 1338 (a) to enforce a patent license. Whether a district court's jurisdiction is invoked under Rule 60(b) in the "interests of justice"² or by a new complaint, as in *Kysor* and *Arvin*, after a prior suit terminated by a consent decree of validity and infringement (as distinguished from the stipulated dismissal of the complaint and counterclaims without prejudice below) is manifestly a matter of form, not substance.

It is submitted that Aro also erroneously overstates in contending, "*Kukla*³ supports the decisions below; a trial court can summarily enforce settlements." Any such summary enforcement, according to *Kukla* at 483 F.2d 621-622, must follow and be based on an evidentiary hearing; otherwise inequities may arise. There was no evidentiary hearing⁴ on the agreements reached in achieving the consent dismissal below or, prior to summary enforcement, the effect of enforcing only one of them.

2. This is the sole ground asserted by the courts below (Petition App. A5, A19).

3. *Kukla v. Nat'l Distillers Products Co.*, 483 F.2d 621 (6th Cir., 1973).

4. Aro contends (Resp. Br. p. 7) that Allied Witan waived such a hearing. As the quotation from the appellate court acknowledges, Allied Witan's counsel was willing to attend such a hearing; what Allied Witan protested, rather than waiving an oral hearing, was that Aro had not made a sufficient preliminary showing as required under local rules for an oral hearing on any motion.

(b) Erroneous contention that decisions below are not contrary to Lear.⁵

Surprisingly, in view of the appellate court's conclusion that no public interest ". . . would be served by providing Allied with a second chance to litigate the validity of the soon-to-expire patent involved in this case" (Petition App. A11), Aro contends (Resp. Br. p. 7) that the "Judgment [below] does not prohibit Allied from challenging the patent [in suit] and is in no way contrary to *Lear*." But Aro also makes it clear that, while challenging its licensed Zwayer patent, Allied Witan would be subject to the license with which it was enjoined to comply in the same judgment (Petition App. A21) in which Allied Witan's counterclaim was dismissed without prejudice.

Such enforced compliance while Allied Witan challenges the license patent is precisely the sort of muzzling of a licensee that *Lear* put an end to!

(c) Invalidity (unlawfulness) of license not new argument in petition.

Aro contends (Resp. Br. p. 8) that:

"Whether or not the [license] agreement is valid is a new argument raised for the first time in this petition. It is too late. [citing authorities]."

Aro is mistaken. Allied Witan's consistent position that the summarily enforced license is unlawful, under *Mercoid Corp. v. Mid-Continent Co.*, 320 U.S. 661 (1943), *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488 (1941), and *B. B. Chemical Co. v. Ellis, et al.*, 314 U.S. 495 (1941) was termed by the appellate court below as "an issue of in-

5. *Lear v. Adkins*, 395 U.S. 653, 670-71 (1969).

definiteness in the license" and there held to be raised before it for the first time (Petition App. A3, n.1). The full record will show that provision of the license requiring a full 5% royalty if the end-use of the accused device was a muffler, half-royalty if the end-use of the identical device was ambiguous, and no royalty if the end-use of the device was as a prior art filter was first raised in the district court as unlawfully extending the monopoly of the Zwayer patent beyond the scope of its claims and, thus, under *Morton Salt*, *B. B. Chemical*, and *Mercoid*, depriving Aro of a right to any relief. This issue was first raised in Allied Witan's memorandum of October 29, 1974, opposing Aro's motion in the district court for specific performance; it was again raised in the district court in connection with a sworn statement of Allied Witan's sales of the same devices as mufflers, as filters, and without a specified end-use. This statement was required by the district court's order of March 27, 1975 (Petition App. A23-A27).

(d) De minimis contention fallacious.

In a concluding and unwarranted *ad hominem* attempt to label as "delaying" Allied Witan's resistance to the Zwayer patent and, after Aro's breach of its inducement for Allied Witan to enter into the whole settlement, resistance to the Zwayer patent license, Aro contends (Resp. Br. p. 9) that, anyhow, the amount of royalties involved is only *de minimis*. Aro overlooks a far more and increasingly substantial matter, namely, that one of the Allied Witan counterclaims summarily dismissed by the judgment of the district court (Petition App. A21) was a claim for antitrust relief, including damages under 15 U.S.C. 15. Even though an antitrust claimant at one time may have subscribed to an agreement being attacked, lower court decisions hampering a private action

to enforce the antitrust policies can be grounds for granting certiorari. *Perma Life Mufflers, Inc., et al. v. International Parts Corp., et al.*, 392 U.S. 134, 136 (1968). The district court decisions and judgments below could hardly have hampered this private antitrust claim more, and the appellate court decision, in the passage quoted by Aro (Resp. Br. p. 7), derides Allied Witan for continuing to try to advance it.

CONCLUSION

For the foregoing reasons, it is respectfully submitted under Rule 24(4) of this Court that the arguments first raised in respondent's brief in opposition to the petition are not merely untenable but emphasize the substantial public importance of the judicial questions raised by the actions of courts below and presented in this petition.

Respectfully submitted,

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